

**Grinnell-Newburg Community School District**

**Independent Auditor's Reports  
Basic Financial Statements,  
and Supplemental Information  
Schedule of Findings and Questioned Costs**

**June 30, 2004**

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Grinnell-Newburg Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

**Board of Education**  
(Before September 2003 Election)

|                |                |      |
|----------------|----------------|------|
| Kevin Kolbe    | President      | 2004 |
| Judy Hunter    | Vice-President | 2004 |
| Tricia Larson  | Board Member   | 2003 |
| Lori Brown     | Board Member   | 2005 |
| Tom Dillman    | Board Member   | 2003 |
| Vicki DeAngelo | Board Member   | 2004 |
| Randy Lidtka   | Board Member   | 2005 |

**Board of Education**  
(After September 2003 Election)

|                |                |      |
|----------------|----------------|------|
| Tom Dillman    | President      | 2006 |
| Lori Brown     | Vice-President | 2005 |
| Vicki DeAngelo | Board Member   | 2004 |
| Wanda Sims     | Board Member   | 2006 |
| Kevin Kolbe    | Board Member   | 2004 |
| Judy Hunter    | Board Member   | 2004 |
| Randy Lidtka   | Board Member   | 2005 |

**School Officials**

|                  |                    |      |
|------------------|--------------------|------|
| David Stoakes    | Superintendent     | 2004 |
| Don Longhurst    | District Secretary | 2004 |
| Don Longhurst    | District Treasurer | 2004 |
| Donald L. Schild | Attorney           | 2004 |

## Independent Auditor's Report

To the Board of Education of  
Grinnell-Newburg Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Grinnell-Newburg Community School District, Grinnell, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Grinnell-Newburg Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated March 24, 2005 on our consideration of Grinnell-Newburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grinnell-Newburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed qualified opinions on those financial statements for years ended June 30, 2001 and 2002 and unqualified opinions for year ended June 30, 2003. Other supplementary information included in Schedules

1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

ROLAND & DIELEMAN

Certified Public Accountants

March 24, 2005

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Grinnell-Newburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$13,628,020 in fiscal 2003 to \$13,679,929 in fiscal 2004, while General Fund expenditures decreased from \$13,280,594 in fiscal 2003 to \$12,879,342 in fiscal 2004. Reduction in expenditures is due primarily to containment of the special ed deficit spending. The District's General Fund balance increased from \$701,435 in fiscal 2003 to \$1,502,022 in fiscal 2004, a 114% increase.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Grinnell-Newburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Grinnell-Newburg Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Grinnell-Newburg Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Grinnell-Newburg GASB 34 Community School District Annual Financial Report**

|  |   |  |
|--|---|--|
| <b><i>Management's<br/>Discussion<br/>and Analysis</i></b> | <b><i>Basic Financial<br/>Statements</i></b>    | <b><i>Required<br/>Supplementary<br/>Information</i></b> |
|  |   |  |
|  |   |  |
| <b><i>District-wide<br/>Financial<br/>Statements</i></b>   | <b><i>Fund<br/>Financial<br/>Statements</i></b> | <b><i>Notes to the<br/>Financial<br/>Statement</i></b>   |
|  |   |  |
|  |   |  |
| Summary  |   | Detail   |

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

| <b>Figure A-2</b><br><b>Major Features of the Government-Wide and Fund Financial Statements</b> |  |  |  |   |
|---|--|--|--|---|
|   | Government-wide Statements   | Fund Statements  |  |   |
|   |  | Governmental Funds   | Proprietary Funds  | Fiduciary Funds   |
| Scope   | Entire District (except fiduciary funds)   | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance   | Activities the District operates similar to private businesses: food services and adult education  | Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies   |
| Required financial statements   | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>   | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul> | <ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul> |
| Accounting basis and measurement focus  | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus  | Accrual accounting and economic resources focus   |
| Type of asset / liability information   | All assets and liabilities, both financial and capital, short-term and long-term                               | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included  | All assets and liabilities, both financial and capital, and short-term and long-term   | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can                   |
| Type of inflow / outflow information  | All revenues and expenses during year, regardless of when cash is received or paid                             | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid   | All additions and deductions during the year, regardless of when cash is received or paid   |

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES



## *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

## *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- (1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and After School Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

| <b>Figure A-3</b><br><b>Condensed Statement of Net Assets</b><br><b>(Expressed in Thousands)</b> |                         |               |                          |            |                |               |                |
|--|-------------------------|---------------|--------------------------|------------|----------------|---------------|----------------|
|  | Governmental Activities |               | Business type Activities |            | Total District |               | Total Change   |
|  | June 30,                |               | June 30,                 |            | June 30,       |               | June 30,       |
|  | 2004                    | 2003          | 2004                     | 2003       | 2004           | 2003          | 2003-2004      |
| Current and other assets   | \$ 17,271               | 11,144        | 100                      | 114        | 17,371         | 11,258        | 6,113          |
| Capital assets   | <u>9,775</u>            | <u>8,084</u>  | <u>40</u>                | <u>48</u>  | <u>9,815</u>   | <u>8,132</u>  | <u>1,683</u>   |
| Total assets   | <u>27,046</u>           | <u>19,228</u> | <u>140</u>               | <u>162</u> | <u>27,186</u>  | <u>19,390</u> | <u>7,796</u>   |
| Long-term liabilities  | 13,152                  | 6,053         | 0                        | 0          | 13,152         | 6,053         | 7,099          |
| Other liabilities  | <u>8,550</u>            | <u>9,649</u>  | <u>61</u>                | <u>63</u>  | <u>8,611</u>   | <u>9,712</u>  | <u>(1,101)</u> |
| Total liabilities  | <u>21,702</u>           | <u>15,702</u> | <u>61</u>                | <u>63</u>  | <u>21,763</u>  | <u>15,765</u> | <u>5,998</u>   |
| Net assets:  |                         |               |                          |            |                |               |                |
| Investments in capital assets,   |                         |               |                          |            |                |               |                |
| net of related debt  | ( 2,950)                | 1,874         | 40                       | 48         | ( 2,910)       | 1,922         | (4,832)        |
| Restricted   | 7,230                   | 773           | 0                        | 0          | 7,230          | 773           | 6,457          |
| Unrestricted   | <u>1,064</u>            | <u>879</u>    | <u>39</u>                | <u>51</u>  | <u>1,103</u>   | <u>930</u>    | <u>173</u>     |
| Total net assets   | \$ <u>5,344</u>         | <u>3,526</u>  | <u>79</u>                | <u>99</u>  | <u>5,423</u>   | <u>3,625</u>  | <u>1,798</u>   |

The District's combined net assets increased by nearly 50%, or approximately \$1,798,000 over the prior year.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$6,457,000 or 835% over the prior year.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased approximately \$173,000, or 19%.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

| <b>Figure A-4</b><br><b>Changes in Net Assets</b><br><b>(Expressed in Thousands)</b> |                            |                             |                   |
|--|----------------------------|-----------------------------|-------------------|
|  | Governmental<br>Activities | Business type<br>Activities | Total<br>District |
| Revenues:  |                            |                             |                   |
| Program revenues:  |                            |                             |                   |
| Charges for service  | \$ 374                     | 487                         | 861               |
| Operating grants, contributions and restricted interest                              | 1,925                      | 251                         | 2,176             |
| General revenues:  |                            |                             |                   |
| Property tax   | 6,209                      |                             | 6,209             |
| Unrestricted state grants  | 6,217                      |                             | 6,217             |
| Other  | <u>1,359</u>               | <u>—</u>                    | <u>1,359</u>      |
| Total revenues   | <u>16,084</u>              | <u>738</u>                  | <u>16,822</u>     |
| Program expenses:  |                            |                             |                   |
| Governmental activities:   |                            |                             |                   |
| Instruction  | 9,190                      |                             | 9,190             |
| Support services   | 3,790                      |                             | 3,790             |
| Non-instructional programs   | 66                         | 758                         | 824               |
| Other expenses   | <u>1,220</u>               | <u>—</u>                    | <u>1,220</u>      |
| Total expenses   | <u>14,266</u>              | <u>758</u>                  | <u>15,024</u>     |
| Change in net assets   | \$ <u>1,818</u>            | ( <u>20</u> )               | <u>1,798</u>      |

Property tax and unrestricted state grants account for 74% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$16,084,210 and expenses were \$16,362,605.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

| <b>Figure A-5</b><br><b>Total and Net Cost of Governmental Activities</b><br><b>(Expressed in Thousands)</b> |                           |                         |
|--|---------------------------|-------------------------|
|  | Total Cost of<br>Services | Net Cost of<br>Services |
| Instruction  | \$ 9,189                  | 8,050                   |
| Support services   | 3,790                     | 3,141                   |
| Non-instructional programs   | 66                        | 66                      |
| Other expenses   | <u>1,220</u>              | <u>708</u>              |
| Totals   | \$ <u>14,265</u>          | <u>11,965</u>           |

- The cost financed by users of the District's programs was \$373,674.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,925,420.
- The net cost of governmental activities was financed with \$6,208,776 in property and other taxes and \$7,576,340 in unrestricted state grants and other.

### **Business Type Activities**

Revenues for business type activities were \$738,037 and expenses were \$757,800. The District's business type activities include the School Nutrition Fund and After School Program. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Grinnell-Newburg Community School District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$8,721,227, well above last year's ending fund balances of \$2,049,622. However, the primary reason for the increase in combined fund balances in fiscal 2004 is due to approximately \$6 million of bond proceeds received in fiscal 2004.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$701,435 to \$1,502,022.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$339,861 in fiscal 2003 to \$250,533 in fiscal 2004.
- The Capital Projects Fund balance increased due to the sale of \$6,950,000 in general obligation and revenue bonds during fiscal 2004. The District ended fiscal 2003 with a surplus of \$651,766. Fiscal 2004 ended with a balance of \$6,439,313, consisting primarily of unexpended bond proceeds which will be expended as the project is completed.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$64,612 at June 30, 2003 to \$72,827 at June 30, 2004, representing an increase of approximately 13%.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Grinnell-Newburg Community School District amended its annual budget one time to reflect additional expenditures.

The District's receipts were \$690,793 more than budgeted receipts, a variance of 4%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget.

As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, the District had invested \$9.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 20.7% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$391,411.

The original cost of the District's capital assets was \$15.4 million.

| Figure A-6<br>Capital Assets, net of Depreciation<br>(expressed in thousands) |                         |              |                          |           |                |              |              |
|---|-------------------------|--------------|--------------------------|-----------|----------------|--------------|--------------|
|   | Governmental Activities |              | Business Type Activities |           | Total District |              | Total Change |
|   | June 30,                |              | June 30,                 |           | June 30,       |              | June 30,     |
|   | 2004                    | 2003         | 2004                     | 2003      | 2004           | 2003         | 2003-2004    |
| Land  | \$ 53                   | 53           |                          |           | 53             | 53           |              |
| Buildings   | 9,506                   | 7,865        |                          |           | 9,506          | 7,865        | 1,641        |
| Furniture and equipment   | <u>216</u>              | <u>166</u>   | <u>40</u>                | <u>48</u> | <u>256</u>     | <u>214</u>   | <u>42</u>    |
| Totals  | <u>\$ 9,775</u>         | <u>8,084</u> | <u>40</u>                | <u>48</u> | <u>9,815</u>   | <u>8,132</u> | <u>1,683</u> |

### Long-Term Liabilities

At June 30, 2004, the District had \$13,152,207 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 99% from last year. (See Figure A-7 ) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

| Figure A-7<br>Outstanding Long-Term Obligations<br>(expressed in thousands) |                  |              |              |
|---|------------------|--------------|--------------|
| Total District  |                  | Total Change |              |
| June 30,  |                  | June 30,     |              |
| 2004  | 2003             | 2003-2004    |              |
| General obligation bonds  | \$ 9,075         | 5,185        | 3,890        |
| Revenue bonds   | 3,650            | 1,025        | 2,625        |
| Early retirement  | <u>427</u>       | <u>397</u>   | <u>30</u>    |
| Totals  | <u>\$ 13,152</u> | <u>6,607</u> | <u>6,545</u> |

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Don Longhurst, District Secretary / Treasurer and Business Manager, Grinnell-Newburg Community School District, Grinnell, Iowa, 50112.

Grinnell-Newburg Community School District  
Statement of Net Assets  
June 30, 2004

Exhibit A

|   | Governmental<br>Activities | Business-type<br>Activities | Total               |
|---|----------------------------|-----------------------------|---------------------|
| <b>Assets</b>                                   |                            |                             |                     |
| Cash and cash equivalents:                      |                            |                             |                     |
| ISCAP   | \$ 1,332,182               |                             | 1,332,182           |
| Other   | 9,429,709                  | 82,972                      | 9,512,681           |
| Receivables:                                    |                            |                             |                     |
| Property tax:                                   |                            |                             |                     |
| Delinquent                                      | 168,196                    |                             | 168,196             |
| Succeeding year                                 | 5,502,717                  |                             | 5,502,717           |
| Income tax                                      | 547,636                    |                             | 547,636             |
| Accounts  | 12,059                     | 6,476                       | 18,535              |
| Prepaid expense                                 | 14,140                     |                             | 14,140              |
| Due from other governments                      | 264,577                    |                             | 264,577             |
| Inventories                                     |                            | 10,899                      | 10,899              |
| Capital assets, net of accumulated depreciation | <u>9,774,776</u>           | <u>39,755</u>               | <u>9,814,531</u>    |
| <b>Total Assets</b>                             | <u>27,045,992</u>          | <u>140,102</u>              | <u>27,186,094</u>   |
| <b>Liabilities</b>                              |                            |                             |                     |
| Accounts payable                                | 347,173                    | 6,520                       | 353,693             |
| Salaries and benefits payable                   | 748,806                    | 45,801                      | 794,607             |
| Due to other governments                        | 60,279                     |                             | 60,279              |
| Other   |                            | 9,144                       | 9,144               |
| Deferred revenue, succeeding year property tax  | 5,502,717                  |                             | 5,502,717           |
| Other   | 566,014                    |                             | 566,014             |
| ISCAP warrants payable                          | 1,325,000                  |                             | 1,325,000           |
| Long-term liabilities:                          |                            |                             |                     |
| Portion due within one year:                    |                            |                             |                     |
| General obligation bonds payable                | 445,000                    |                             | 445,000             |
| Revenue bonds payable                           | 350,000                    |                             | 350,000             |
| Early retirement                                | 125,187                    |                             | 125,187             |
| Portion due more than one year:                 |                            |                             |                     |
| General obligation bonds payable                | 8,630,000                  |                             | 8,630,000           |
| Revenue bonds payable                           | 3,300,000                  |                             | 3,300,000           |
| Early retirement                                | <u>302,020</u>             |                             | <u>302,020</u>      |
| <b>Total Liabilities</b>                        | <u>21,702,196</u>          | <u>61,465</u>               | <u>21,763,661</u>   |
| <b>Net Assets</b>                               |                            |                             |                     |
| Invested in capital assets, net of related debt | ( 2,950,224)               | 39,755                      | ( 2,910,469)        |
| Restricted for:                                 |                            |                             |                     |
| Capital projects                                | 5,791,745                  |                             | 5,791,745           |
| Management levy                                 | 185,171                    |                             | 185,171             |
| Physical plant and equipment levy               | 250,533                    |                             | 250,533             |
| Other special revenue purposes                  | 134,639                    |                             | 134,639             |
| Debt service                                    | 209,549                    |                             | 209,549             |
| LOST  | 647,568                    |                             | 647,568             |
| Phase III                                       | 11,144                     |                             | 11,144              |
| Unrestricted                                    | <u>1,063,671</u>           | <u>38,882</u>               | <u>1,102,553</u>    |
| <b>Total Net Assets</b>                         | <u>\$ 5,343,796</u>        | <u>\$ 78,637</u>            | <u>\$ 5,422,433</u> |

See notes to financial statements.

Grinnell-Newburg Community School District  
Statement of Activities  
June 30, 2003

Exhibit B

| Functions / Programs                        | Program Revenues |                      |   | Net (Expense) Revenue and Changes in Net Assets |                          | Total               |
|---|------------------|----------------------|---|---|--------------------------|---------------------|
|   | Expenses         | Charges for Services | Operating Grants, Contributions and Restricted Interest | Governmental Activities                         | Business-Type Activities |                     |
| <b>Governmental Activities</b>              |                  |                      |   |   |                          |                     |
| Instruction:                                |                  |                      |   |   |                          |                     |
| Regular instruction                         | \$ 5,937,407     | 373,674              | 511,255   | ( 5,052,478)                                    |                          | ( 5,052,478)        |
| Special instruction                         | 2,357,737        |                      | 253,906   | ( 2,103,831)                                    |                          | ( 2,103,831)        |
| Other instruction                           | 894,610          |                      |   | ( 894,610)                                      |                          | ( 894,610)          |
|   | <u>9,189,754</u> | <u>373,674</u>       | <u>765,161</u>  | <u>( 8,050,919)</u>                             | <u></u>                  | <u>( 8,050,919)</u> |
| Support services:                           |                  |                      |   |   |                          |                     |
| Student services                            | 427,579          |                      | 648,447   | 220,868   |                          | 220,868             |
| Instructional staff services                | 364,838          |                      |   | ( 364,838)                                      |                          | ( 364,838)          |
| Administration services                     | 1,434,235        |                      |   | ( 1,434,235)                                    |                          | ( 1,434,235)        |
| Operation and maintenance of plant services | 1,182,495        |                      |   | ( 1,182,495)                                    |                          | ( 1,182,495)        |
| Transportation services                     | 380,752          |                      |   | ( 380,752)                                      |                          | ( 380,752)          |
|   | <u>3,789,899</u> | <u></u>              | <u>648,447</u>  | <u>( 3,141,452)</u>                             | <u></u>                  | <u>( 3,141,452)</u> |
| Other expenditures:                         |                  |                      |   |   |                          |                     |
| Facilities acquisition                      | 54,714           |                      |   | ( 54,714)                                       |                          | ( 54,714)           |
| Long-term debt interest                     | 262,353          |                      |   | ( 262,353)                                      |                          | ( 262,353)          |
| AEA flowthrough                             | 511,812          |                      | 511,812   |   |                          |                     |
| Depreciation (unallocated)                  | 391,411          |                      |   | ( 391,411)                                      |                          | ( 391,411)          |
| Non-instructional                           | 66,468           |                      |   | ( 66,468)                                       |                          | ( 66,468)           |
|   | <u>1,286,758</u> | <u></u>              | <u>511,812</u>  | <u>( 774,946)</u>                               | <u></u>                  | <u>( 774,946)</u>   |
| Total governmental activities               | 14,266,411       | 373,674              | 1,925,420   | (11,967,317)                                    |                          | (11,967,317)        |
| <b>Business-Type Activities</b>             |                  |                      |   |   |                          |                     |
| Non-instructional programs:                 |                  |                      |   |   |                          |                     |
| Nutrition services and Day Care             | 757,800          | 486,671              | 251,366   |   | (19,763)                 | ( 19,763)           |
| Total                                       | \$ 15,024,211    | 860,345              | 2,176,786   | \$(11,967,317)                                  | \$(19,763)               | \$(11,987,080)      |

See notes to financial statements.



Grinnell-Newburg Community School District  
Statement of Activities  
June 30, 2004

Exhibit B

| Functions / Programs         | Program Revenues |                         |  | Net (Expense) Revenue<br>and Changes in Net Assets |                             |                   |
|------------------------------|------------------|-------------------------|--|--|-----------------------------|-------------------|
|                              | Expenses         | Charges for<br>Services | Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Governmental<br>Activities                         | Business-Type<br>Activities | Total             |
| <b>General Revenue:</b>      |                  |                         |  |  |                             |                   |
| Local taxes levied for:      |                  |                         |  |  |                             |                   |
| General purposes             | \$               |                         |  | 5,727,557  |                             | 5,727,557         |
| Debt service                 |                  |                         |  | 481,219  |                             | 481,219           |
| Unrestricted state grants    |                  |                         |  | 6,217,107  |                             | 6,217,107         |
| Other                        |                  |                         |  | 1,359,233  |                             | 1,359,233         |
| Total general revenues`      |                  |                         |  | <u>13,785,116</u>                                  |                             | <u>13,785,116</u> |
| Change in net assets         |                  |                         |  | 1,817,799  | ( 19,763)                   | 1,798,036         |
| Net assets beginning of year |                  |                         |  | <u>3,525,997</u>                                   | <u>98,400</u>               | <u>3,624,397</u>  |
| Net assets end of year       | \$               |                         |  | <u>5,343,796</u>                                   | <u>78,637</u>               | <u>5,422,433</u>  |

See notes to financial statements.

Grinnell-Newburg Community School District  
Balance Sheet  
Governmental Funds  
June 30, 2004

Exhibit C

|  | General                    | Debt<br>Service         | Capital<br>Projects     | Non Major<br>Special<br>Revenue | Total                    |
|--|----------------------------|-------------------------|-------------------------|---------------------------------|--------------------------|
| <b>Assets</b>                                  |                            |                         |                         |                                 |                          |
| Cash and pooled investments:                   |                            |                         |                         |                                 |                          |
| ISCAP  | \$ 1,332,182               |                         |                         |                                 | 1,332,182                |
| Other  | 2,028,841                  | 278,235                 | 6,552,655               | 569,978                         | 9,429,709                |
| Receivables:                                   |                            |                         |                         |                                 |                          |
| Property tax:                                  |                            |                         |                         |                                 |                          |
| Delinquent                                     | 54,088                     | 5,427                   | 103,366                 | 5,315                           | 168,196                  |
| Succeeding year                                | 4,269,641                  | 803,137                 |                         | 429,939                         | 5,502,717                |
| Income tax                                     | 410,727                    |                         |                         | 136,909                         | 547,636                  |
| Accounts                                       | 12,059                     |                         |                         |                                 | 12,059                   |
| Prepaid expense                                | 14,140                     |                         |                         |                                 | 14,140                   |
| Due from other governments                     | <u>264,577</u>             |                         |                         |                                 | <u>264,577</u>           |
| <b>Total Assets</b>                            | <b>\$ <u>8,386,255</u></b> | <b><u>1,086,799</u></b> | <b><u>6,656,021</u></b> | <b><u>1,142,141</u></b>         | <b><u>17,271,216</u></b> |
| <b>Liabilities and Fund Balances</b>           |                            |                         |                         |                                 |                          |
| Liabilities:                                   |                            |                         |                         |                                 |                          |
| Accounts payable                               | \$ 51,402                  | 74,113                  | 216,708                 | 4,950                           | 347,173                  |
| Salaries and benefits payable                  | 748,806                    |                         |                         |                                 | 748,806                  |
| Due to other governments                       | 60,279                     |                         |                         |                                 | 60,279                   |
| ISCAP warrants payable                         | 1,325,000                  |                         |                         |                                 | 1,325,000                |
| Deferred revenue:                              |                            |                         |                         |                                 |                          |
| Succeeding year property tax                   | 4,269,641                  | 803,137                 |                         | 429,939                         | 5,502,717                |
| Other  | <u>429,105</u>             |                         |                         | <u>136,909</u>                  | <u>566,014</u>           |
| Total Liabilities                              | <u>6,884,233</u>           | <u>877,250</u>          | <u>216,708</u>          | <u>571,798</u>                  | <u>8,549,989</u>         |
| Fund balances:                                 |                            |                         |                         |                                 |                          |
| Reserved for debt service                      |                            | 209,549                 |                         |                                 | 209,549                  |
| Unreserved                                     | <u>1,502,022</u>           |                         | <u>6,439,313</u>        | <u>570,343</u>                  | <u>8,511,678</u>         |
| Total fund balances                            | <u>1,502,022</u>           | <u>209,549</u>          | <u>6,439,313</u>        | <u>570,343</u>                  | <u>8,721,227</u>         |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ <u>8,386,255</u></b> | <b><u>1,086,799</u></b> | <b><u>6,656,021</u></b> | <b><u>1,142,141</u></b>         | <b><u>17,271,216</u></b> |

See notes to financial statements.

Grinnell-Newburg Community School District  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2004

Exhibit D

**Total fund balances of governmental funds** \$ 8,721,227

***Amounts reported for governmental activities in the  
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not  
financial resources and therefore are not reported as  
assets in the governmental funds.

9,774,776

Long-term liabilities, including bonds and notes payable and compensated  
absences, are not due and payable in the current period and, therefore,  
are not reported as liabilities in the funds.

(13,152,207)

**Net Assets of Governmental Activities**

\$ 5,343,796

See notes to financial statements.

Grinnell-Newburg Community School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2004

Exhibit E

|  | General             | Debt<br>Service   | Capital<br>Projects | Non Major<br>Special<br>Revenue | Total             |
|--|---------------------|-------------------|---------------------|---------------------------------|-------------------|
| Revenues:  |                     |                   |                     |                                 |                   |
| Local sources:   |                     |                   |                     |                                 |                   |
| Local tax  | \$ 4,503,387        | 470,472           | 793,843             | 441,074                         | 6,208,776         |
| Tuition  | 373,674             |                   |                     |                                 | 373,674           |
| Other  | 233,634             | 10,747            | 34,077              | 507,059                         | 785,517           |
| Income tax   | 423,537             |                   |                     | 141,179                         | 564,716           |
| Intermediate sources   | 9,000               |                   |                     |                                 | 9,000             |
| State sources  | 6,981,837           | 499               |                     | 489                             | 6,982,825         |
| Federal sources  | 1,154,860           |                   |                     | 4,842                           | 1,159,702         |
| Total revenues   | <u>13,679,929</u>   | <u>481,718</u>    | <u>827,920</u>      | <u>1,094,643</u>                | <u>16,084,210</u> |
| Expenditures:  |                     |                   |                     |                                 |                   |
| Current:   |                     |                   |                     |                                 |                   |
| Instruction:   |                     |                   |                     |                                 |                   |
| Regular instruction  | 5,807,982           |                   |                     | 99,605                          | 5,907,587         |
| Special instruction  | 2,412,451           |                   |                     |                                 | 2,412,451         |
| Other instruction  | <u>458,446</u>      | <u>          </u> | <u>          </u>   | <u>436,164</u>                  | <u>894,610</u>    |
|  | <u>8,678,879</u>    | <u>          </u> | <u>          </u>   | <u>535,769</u>                  | <u>9,214,648</u>  |
| Support services:  |                     |                   |                     |                                 |                   |
| Student services   | 420,873             |                   |                     | 6,706                           | 427,579           |
| Instructional staff services                                 | 364,838             |                   |                     |                                 | 364,838           |
| Administration services                                      | 1,278,332           |                   |                     | 155,903                         | 1,434,235         |
| Operation and maintenance of<br>plant services               | 1,177,388           |                   |                     | 5,107                           | 1,182,495         |
| Transportation services                                      | <u>380,752</u>      | <u>          </u> | <u>          </u>   | <u>51,707</u>                   | <u>432,459</u>    |
|  | <u>3,622,183</u>    | <u>          </u> | <u>          </u>   | <u>219,423</u>                  | <u>3,841,606</u>  |
| Non-instructional programs                                   | <u>66,468</u>       | <u>          </u> | <u>          </u>   | <u>          </u>               | <u>66,468</u>     |
| Other expenditures:  |                     |                   |                     |                                 |                   |
| Facilities acquisition                                       |                     |                   | 1,664,984           | 365,734                         | 2,030,718         |
| Long-term debt:  |                     |                   |                     |                                 |                   |
| Principal  |                     | 435,000           |                     |                                 | 435,000           |
| Interest and fiscal charges                                  |                     | 262,353           |                     |                                 | 262,353           |
| AEA flowthrough  | <u>511,812</u>      | <u>          </u> | <u>          </u>   | <u>          </u>               | <u>511,812</u>    |
|  | <u>511,812</u>      | <u>697,353</u>    | <u>1,664,984</u>    | <u>365,734</u>                  | <u>3,239,883</u>  |
| Total expenditures   | <u>12,879,342</u>   | <u>697,353</u>    | <u>1,664,984</u>    | <u>1,120,926</u>                | <u>16,362,605</u> |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>800,587</u>      | <u>( 215,635)</u> | <u>( 837,064)</u>   | <u>( 26,283)</u>                | <u>( 278,395)</u> |
| Other financing sources (uses):                              |                     |                   |                     |                                 |                   |
| Operating transfers in                                       |                     | 325,389           |                     |                                 | 325,389           |
| Operating transfers out                                      |                     |                   | ( 325,389)          |                                 | ( 325,389)        |
| General obligation bonds issued                              |                     |                   | 4,200,000           |                                 | 4,200,000         |
| Revenue bonds issued   |                     |                   | 2,750,000           |                                 | 2,750,000         |
| Total other financing sources (uses)                         | <u>          </u>   | <u>325,389</u>    | <u>6,624,611</u>    | <u>          </u>               | <u>6,950,000</u>  |
| Net change in fund balances                                  | 800,587             | 109,754           | 5,787,547           | ( 26,283)                       | 6,671,605         |
| Fund balances beginning of year,<br>as restated              | <u>701,435</u>      | <u>99,795</u>     | <u>651,766</u>      | <u>596,626</u>                  | <u>2,049,622</u>  |
| Fund balances end of year                                    | <u>\$ 1,502,022</u> | <u>209,549</u>    | <u>6,439,313</u>    | <u>570,343</u>                  | <u>8,721,227</u>  |

See notes to financial statements.

Grinnell-Newburg Community School District  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds to the  
Statement of Activities  
Year ended June 30, 2004

Exhibit F

**Net change in fund balances - total governmental funds** \$ 6,671,605

***Amounts reported for governmental activities in the  
statement of activities are different because:***

Capital outlays or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expenses in the statement of activities. The amount of capital outlays and depreciation expense in the year are as follows:

|                      |                  |           |
|----------------------|------------------|-----------|
| Depreciation expense | \$ 391,411       |           |
| Capital outlays      | <u>2,082,425</u> | 1,691,014 |

|   |  |         |
|---|--|---------|
| Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. |  | 435,000 |
|---|--|---------|

|                              |  |           |
|------------------------------|--|-----------|
| Increase in early retirement |  | ( 29,820) |
|------------------------------|--|-----------|

|   |  |             |
|---|--|-------------|
| Proceeds of long-term debt provides current financial resources to governmental funds but increase long-term liabilities in the statement of net activities |  | (6,950,000) |
|---|--|-------------|

**Change in net assets of governmental activities** \$ 1,817,799

See notes to financial statements.

Grinnell-Newburg Community School District  
Statement of Net Assets  
Propriety Fund  
June 30, 2004

Exhibit G

|   | Child<br>Care   | School<br>Nutrition | Total          |
|---|-----------------|---------------------|----------------|
| <b>Assets</b>                                   |                 |                     |                |
| Cash and cash equivalents                       | \$ 3,810        | 79,162              | 82,972         |
| Accounts receivable                             | 2,000           | 4,476               | 6,476          |
| Inventories                                     |                 | 10,899              | 10,899         |
| Capital assets, net of accumulated depreciation |                 | <u>39,755</u>       | <u>39,755</u>  |
| <b>Total assets</b>                             | <u>5,810</u>    | <u>134,292</u>      | <u>140,102</u> |
| <b>Liabilities</b>                              |                 |                     |                |
| Accounts payable                                |                 | 6,520               | 6,520          |
| Salaries and benefits payable                   |                 | 45,801              | 45,801         |
| Other   |                 | <u>9,144</u>        | <u>9,144</u>   |
| <b>Total liabilities</b>                        |                 | <u>61,465</u>       | <u>61,465</u>  |
| <b>Net Assets</b>                               |                 |                     |                |
| Invested in capital assets, net of related debt |                 | 39,755              | 39,755         |
| Unrestricted                                    | <u>5,810</u>    | <u>33,072</u>       | <u>38,882</u>  |
| <b>Total net assets</b>                         | <u>\$ 5,810</u> | <u>72,827</u>       | <u>78,637</u>  |

See notes to financial statements.

Grinnell-Newburg Community School District  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Propriety Fund  
Year ended June 30, 2004

Exhibit H

|                              | Child<br>Care          | School<br>Nutrition  | Total                |
|------------------------------|------------------------|----------------------|----------------------|
| Operating revenue:           |                        |                      |                      |
| Local sources:               |                        |                      |                      |
| Charges for service          | \$ <u>29,506</u>       | <u>456,875</u>       | <u>486,381</u>       |
| Operating expenses:          |                        |                      |                      |
| Non-instructional programs:  |                        |                      |                      |
| Food service operations:     |                        |                      |                      |
| Salaries and benefits        | 41,036                 | 274,832              | 315,868              |
| Benefits                     | 3,422                  | 84,376               | 87,798               |
| Purchased services           | 7,753                  | 23,688               | 31,441               |
| Supplies                     | 5,324                  | 295,065              | 300,389              |
| Other                        |                        | 14,030               | 14,030               |
| Depreciation                 |                        | <u>8,274</u>         | <u>8,274</u>         |
| Total operating expenses     | <u>57,535</u>          | <u>700,265</u>       | <u>757,800</u>       |
| Operating loss               | (28,029)               | (243,390)            | (271,419)            |
| Non-operating revenue:       |                        |                      |                      |
| State sources                |                        | 8,835                | 8,835                |
| Federal sources              |                        | 242,531              | 242,531              |
| Interest income              | <u>51</u>              | <u>239</u>           | <u>290</u>           |
| Total non-operating revenue  | <u>51</u>              | <u>251,605</u>       | <u>251,656</u>       |
| Change in net assets         | (27,978)               | 8,215                | ( 19,763)            |
| Net assets beginning of year | <u>33,788</u>          | <u>64,612</u>        | <u>98,400</u>        |
| Net assets end of year       | \$ <u><u>5,810</u></u> | <u><u>72,827</u></u> | <u><u>78,637</u></u> |

See notes to financial statements.

Grinnell-Newburg Community School District  
Statement of Cash Flows  
Propriety Fund  
Year ended June 30, 2004

Exhibit I

|   |                         |
|---|-------------------------|
| Cash flows from operating activities:                 |                         |
| Cash received from sale of lunches and breakfasts     | \$ 452,399              |
| Cash received from services                           | 29,506                  |
| Cash paid to employees for services                   | (409,138)               |
| Cash paid to suppliers for goods or services          | (306,236)               |
| Net cash used in operating activities                 | <u>(233,469)</u>        |
| Cash flows from non-capital financing activities:     |                         |
| State grants received                                 | 8,835                   |
| Federal grants received                               | <u>212,204</u>          |
| Net cash provided by non-capital financing activities | <u>221,039</u>          |
| Cash flows from investing activities:                 |                         |
| Interest on investments                               | <u>290</u>              |
| Net decrease in cash and cash equivalents             | ( 12,140)               |
| Cash and cash equivalents at beginning of year        | <u>95,112</u>           |
| Cash and cash equivalents at end of year              | \$ <u><u>82,972</u></u> |

See notes to financial statements.



Grinnell-Newburg Community School District  
Statement of Cash Flows  
Propriety Fund  
Year ended June 30, 2004

Exhibit I

**Reconciliation of operating loss to net cash used in operating activities:**

|   |                     |
|---|---------------------|
| Operating loss  | \$ (271,419)        |
| Adjustments to reconcile operating loss to net cash used in operating activities: |                     |
| Commodities used  | 35,932              |
| Depreciation  | 8,274               |
| (Increase) in accounts receivable   | ( 4,476)            |
| Increase in accounts payable  | 1,085               |
| (Decrease) in salaries and benefits payable                                       | ( <u>2,865</u> )    |
| Net cash used in operating activities   | \$ <u>(233,469)</u> |

**Non cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received \$30,327 of federal commodities.

See notes to financial statements.

Grinnell-Newburg Community School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2004

Exhibit J

|                             |                                  |
|-----------------------------|----------------------------------|
|                             | <u>Private Purpose<br/>Trust</u> |
|                             | <u>Scholarship</u>               |
| <b>Assets</b>               |                                  |
| Cash and pooled investments | \$ <u>586,424</u>                |
| <b>Total assets</b>         | <u>586,424</u>                   |
| Net Assets:                 |                                  |
| Reserved for scholarships   | \$ <u>586,424</u>                |

See notes to financial statements.

Grinnell-Newburg Community School District  
Statement of Changes In Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2004

Exhibit K

|                              | Private Purpose<br>Trust |
|------------------------------|--------------------------|
|                              | <u>Scholarship</u>       |
| Additions:                   |                          |
| Local sources:               |                          |
| Gifts and contributions      | \$ 4,833                 |
| Interest                     | <u>27,513</u>            |
| Total additions              | 32,346                   |
| Deductions:                  |                          |
| Non-instructional:           |                          |
| Scholarships awarded         | <u>32,158</u>            |
| Change in net assets         | 188                      |
| Net assets beginning of year | <u>586,236</u>           |
| Net assets end of year       | \$ <u>586,424</u>        |

See notes to financial statements.

Grinnell-Newburg Community School District  
Notes to Financial Statements  
June 30, 2004

**(1) Summary of Significant Accounting Policies**

Grinnell-Newburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Grinnell and Newburg, Iowa, and the predominate agricultural territory in Poweshiek and Jasper Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Grinnell-Newburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Grinnell-Newburg Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

**B. Basis of Presentation**

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt and sales tax debt payments.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds. The District's proprietary funds are the School Nutrition Fund and Day Care Fund. The funds are used to account for the food service operations and day care operation of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private-purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The Government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### **D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the balance sheet.

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected

in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u>                | <u>Amount</u> |
|-----------------------------------|---------------|
| Land                              | \$ 5,000      |
| Buildings                         | 20,000        |
| Improvements other than buildings | 20,000        |
| Furniture and equipment           | 5,000         |

Capital Assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

| <u>Asset Class</u>                | <u>Estimated Useful Life</u><br>(In Years) |
|-----------------------------------|--|
| Buildings                         | 40 years                                   |
| Improvements other than buildings | 20 years                                   |
| Furniture and equipment           | 4-10 years                                 |

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been

recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the Government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term obligations - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the Governmental-wide fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Th District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:



| <u>Transfer To</u> | <u>Transfer From</u> | <u>Amount</u> |
|--------------------|----------------------|---------------|
| Debt Service       | Capital Projects     | \$ 325,389    |

#### (4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the 2004-2005A Series Program. A summary of the District's participation in ISCAP as of June 30, 2004 is as follows:

| Series     | Warrant Date | Final Warrant Maturity | Investments         | Accrued Interest Receivable | Warrants Payable | Accrued Interest Payable |
|------------|--------------|------------------------|---------------------|-----------------------------|------------------|--------------------------|
| 2004-2005A | 6/04         | 6/05                   | <u>1,332,182</u>    |                             | <u>1,325,000</u> |                          |
| Total      |              |                        | \$ <u>1,332,182</u> |                             | <u>1,325,000</u> |                          |

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

| Series   | Advances Received | Advances Repaid |
|----------|-------------------|-----------------|
| 2003-04A | \$ <u>700,000</u> | <u>700,000</u>  |
| Total    | \$ <u>700,000</u> | <u>700,000</u>  |

The warrant bears interest and the available proceeds of the warrant are invested at the interest rate shown below:

| Series   | Interest Rates on Warrants | Interest Rates on Investments |
|----------|----------------------------|-------------------------------|
| 2004-05A | 3.00%                      | 2.463%                        |

#### (5) Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

|  | Balance<br>Beginning of<br>Year | Increases        | Decreases    | Balance<br>End<br>of Year |
|--|---------------------------------|------------------|--------------|---------------------------|
| <b>Governmental activities:</b>              |                                 |                  |              |                           |
| Capital assets not being depreciated:        |                                 |                  |              |                           |
| Land   | <u>52,500</u>                   |                  |              | <u>52,500</u>             |
| Total capital assets not being depreciated   | <u>52,500</u>                   |                  |              | <u>52,500</u>             |
| Capital assets being depreciated:            |                                 |                  |              |                           |
| Buildings                                    | 12,052,000                      | 1,976,004        |              | 14,028,004                |
| Furniture and equipment                      | <u>856,960</u>                  | <u>106,421</u>   |              | <u>963,381</u>            |
| Total capital assets being depreciated       | <u>12,908,960</u>               | <u>2,082,425</u> |              | <u>14,991,385</u>         |
| Less accumulated depreciation for:           |                                 |                  |              |                           |
| Buildings                                    | 4,186,765                       | 321,722          |              | 4,508,487                 |
| Furniture and equipment                      | <u>690,933</u>                  | <u>69,689</u>    |              | <u>760,622</u>            |
| Total accumulated depreciation               | <u>4,877,698</u>                | <u>391,411</u>   |              | <u>5,269,109</u>          |
| Total capital assets being depreciated, net  | <u>8,031,262</u>                | <u>1,691,014</u> |              | <u>9,722,276</u>          |
| Governmental activities capital assets, net  | \$ <u>8,083,762</u>             | <u>1,691,014</u> |              | <u>9,774,776</u>          |
| <b>Business-type activities:</b>             |                                 |                  |              |                           |
| Furniture and equipment                      | <u>48,029</u>                   |                  | <u>8,274</u> | <u>39,755</u>             |
| Business-type activities capital assets, net | \$ <u>48,029</u>                |                  | <u>8,274</u> | <u>39,755</u>             |

Depreciation expense was charged by the District as follows:

|  |                   |
|--|-------------------|
| Unallocated depreciation                           | <u>391,411</u>    |
| Total governmental activities depreciation expense | \$ <u>391,411</u> |

## (6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

|                          | Balance<br>Beginning<br>Of Year | Additions        | Reductions     | Balance<br>End<br>of Year | Due<br>Within<br>One Year |
|--------------------------|---------------------------------|------------------|----------------|---------------------------|---------------------------|
| General obligation bonds | \$ 5,185,000                    | 4,200,000        | 310,000        | 9,075,000                 | 445,000                   |
| Revenue bonds            | 1,025,000                       | 2,750,000        | 125,000        | 3,650,000                 | 350,000                   |
| Early retirement         | <u>397,387</u>                  | <u>148,887</u>   | <u>119,067</u> | <u>427,207</u>            | <u>128,859</u>            |
| Total                    | \$ <u>6,607,387</u>             | <u>7,098,887</u> | <u>554,067</u> | <u>13,152,207</u>         | <u>923,859</u>            |

### Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five and must have completed ten years of service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on salary and length of service for certified employees and length of service for

support employees. Early retirement expenditures for the year ended June 30, 2004 totaled \$119,067.

Bonds Payable

Details of the District’s June 30, 2004 bonded indebtedness are as follows:

|                         | Bond Issue of School Infrastructure<br>Local Option Sales and Service<br>Tax Revenue Bonds |                   |                   | Bond Issue of<br>General Obligation Refunding Bonds |                   |                   | Bond Issue of<br>General Obligation Bond |                  |                  | Bond Issue of<br>School Infrastructure Sales and<br>Service Tax Revenue Bonds |                   |                   | Total             |                  |                   |
|-------------------------|--|-------------------|-------------------|---|-------------------|-------------------|--|------------------|------------------|---|-------------------|-------------------|-------------------|------------------|-------------------|
| Year Ending<br>June 30, | Rate   | Principal         | Interest          | Rate  | Principal         | Interest          | Rate                                     | Principal        | Interest         | Rate  | Principal         | Interest          | Principal         | Interest         | Total             |
| 2005                    | 3.0  | 100,000           | 33,800            | 2.25-2.50   | 345,000           | 155,163           | 1.3                                      | 100,000          | 233,295          | 2.00  | 250,000           | 104,628           | 795,000           | 526,886          | 1,321,886         |
| 2006                    | 3.2  | 100,000           | 30,800            | 2.50-2.50   | 400,000           | 146,375           | 1.5                                      | 130,000          | 154,230          | 2.75  | 265,000           | 91,580            | 895,000           | 422,985          | 1,317,985         |
| 2007                    | 3.5  | 100,000           | 27,600            | 2.50-2.75   | 375,000           | 136,688           | 2.0                                      | 170,000          | 152,280          | 3.25  | 275,000           | 84,293            | 920,000           | 400,861          | 1,320,861         |
| 2008                    | 3.75   | 100,000           | 24,100            | 2.75-3.00   | 400,000           | 126,250           | 2.3                                      | 160,000          | 148,880          | 3.50  | 290,000           | 75,355            | 950,000           | 374,585          | 1,324,585         |
| 2009                    | 4.00   | 100,000           | 20,350            | 3.00-3.10   | 400,000           | 114,500           | 2.65                                     | 170,000          | 145,200          | 3.75  | 300,000           | 65,205            | 970,000           | 345,255          | 1,315,255         |
| 2010                    | 4.00   | 100,000           | 16,350            | 3.10-3.25   | 400,000           | 102,200           | 3.00                                     | 185,000          | 140,696          | 4.00  | 315,000           | 53,955            | 1,000,000         | 313,201          | 1,313,201         |
| 2011                    | 4.05   | 100,000           | 12,350            | 3.25-3.35   | 400,000           | 89,350            | 3.35                                     | 190,000          | 135,146          | 3.80  | 335,000           | 41,355            | 1,025,000         | 278,201          | 1,303,201         |
| 2012                    | 4.10   | 100,000           | 8,300             | 3.35-3.45   | 400,000           | 76,050            | 3.55                                     | 205,000          | 128,780          | 3.95  | 350,000           | 28,623            | 1,055,000         | 241,753          | 1,296,753         |
| 2013                    | 4.20   | 100,000           | 4,200             | 3.45-3.60   | 400,000           | 62,350            | 3.70                                     | 225,000          | 121,502          | 4.00  | 370,000           | 14,800            | 1,095,000         | 202,852          | 1,297,852         |
| 2014                    |  |                   |                   | 3.60-3.75   | 430,000           | 48,100            | 3.85                                     | 220,000          | 113,178          |   |                   |                   | 650,000           | 161,278          | 811,278           |
| 2015                    |  |                   |                   | 3.75-3.875  | 450,000           | 31,656            | 3.90                                     | 230,000          | 104,708          |   |                   |                   | 680,000           | 136,364          | 816,364           |
| 2016                    |  |                   |                   | 3.875-4.00  | 475,000           | 14,359            | 3.95                                     | 235,000          | 95,738           |   |                   |                   | 710,000           | 110,097          | 820,097           |
| 2017                    |  |                   |                   |   |                   |                   | 4.05                                     | 250,000          | 86,456           |   |                   |                   | 250,000           | 86,456           | 336,456           |
| 2018                    |  |                   |                   |   |                   |                   | <u>4.15</u>                              | 260,000          | 76,330           |   |                   |                   | 260,000           | 76,330           | 336,330           |
| 2019                    |  |                   |                   |   |                   |                   | 4.25                                     | 270,000          | 65,540           |   |                   |                   | 270,000           | 65,540           | 335,540           |
| 2020                    |  |                   |                   |   |                   |                   | 4.35                                     | 280,000          | 54,066           |   |                   |                   | 280,000           | 54,066           | 334,066           |
| 2021                    |  |                   |                   |   |                   |                   | 4.45                                     | 295,000          | 41,866           |   |                   |                   | 295,000           | 41,866           | 336,866           |
| 2022                    |  |                   |                   |   |                   |                   | 4.55                                     | 305,000          | 28,758           |   |                   |                   | 305,000           | 28,758           | 333,758           |
| 2023                    |  | <u>          </u> | <u>          </u> |   | <u>          </u> | <u>          </u> | 4.65                                     | <u>320,000</u>   | <u>14,880</u>    |   | <u>          </u> | <u>          </u> | <u>320,000</u>    | <u>14,880</u>    | <u>334,880</u>    |
|                         |  | <u>\$ 900,000</u> | <u>177,850</u>    |   | <u>4,875,000</u>  | <u>1,103,041</u>  |  | <u>4,200,000</u> | <u>2,041,529</u> |   | <u>2,750,000</u>  | <u>559,794</u>    | <u>12,725,000</u> | <u>3,882,214</u> | <u>16,607,214</u> |

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003, and 2002. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$471,163, \$485,826 and \$487,904, respectively, equal to the required contributions for each year.

**(8) Risk Management**

Grinnell-Newburg Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$511,812 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Subsequent Events**

The District issued \$2,815,000 in subordinate school infrastructure local option sales and services tax revenue bonds on January 19, 2005. The proceeds will be used for payment of construction of additions and renovations of the high school.

The school board approved contracts totaling approximately \$9,721,000 for construction of additions and renovation at the high school on August 25, 2004.

**(11) Pledges**

The District solicited contributions for a portion of the cost of the additions and renovations at the high school. A total of \$3,833,841 was pledged by local businesses and individuals.

The District entered into a 28E agreement with the Greater Poweshiek Community Foundation to administer and accept funds on behalf of the school. A total of approximately \$444,000 had been collected as of June 30, 2004.

Grinnell-Newburg Community School District  
 Budgetary Comparison Schedule of  
 Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund  
 Required Supplementary Information  
 Year ended June 30, 2004

|   | Governmental<br>Fund Types<br>Actual | Proprietary<br>Fund Type<br>Actual | Total<br>Actual   | <u>Budgeted Amounts</u> |                   | Final to<br>Actual<br>Variance -<br>Positive -<br>(Negative) |
|---|--------------------------------------|------------------------------------|-------------------|-------------------------|-------------------|--|
|   |                                      |                                    |                   | Original                | Final             |  |
| Receipts:   |                                      |                                    |                   |                         |                   |  |
| Local sources   | \$ 8,356,404                         | 482,195                            | 8,838,599         | 8,031,040               | 8,031,040         | 807,559  |
| Intermediate sources  | 9,000                                |                                    | 9,000             |                         |                   | 9,000  |
| State sources   | 6,982,825                            | 8,835                              | 6,991,660         | 7,131,255               | 7,131,255         | ( 139,595)   |
| Federal sources   | <u>1,159,702</u>                     | <u>212,204</u>                     | <u>1,371,906</u>  | <u>1,358,077</u>        | <u>1,358,077</u>  | <u>13,829</u>  |
| Total receipts  | <u>16,507,931</u>                    | <u>703,234</u>                     | <u>17,211,165</u> | <u>16,520,372</u>       | <u>16,520,372</u> | <u>690,793</u>   |
| Disbursements:  |                                      |                                    |                   |                         |                   |  |
| Instruction   | 9,956,017                            |                                    | 9,956,017         | 10,200,000              | 10,200,000        | ( 243,983)   |
| Support services  | 3,841,606                            |                                    | 3,841,606         | 4,100,000               | 4,300,000         | ( 458,394)   |
| Non-instructional programs  | 66,468                               | 715,374                            | 781,842           | 860,000                 | 860,000           | ( 78,158)  |
| Other expenditures  | <u>2,874,149</u>                     |                                    | <u>2,874,149</u>  | <u>3,055,336</u>        | <u>5,000,000</u>  | <u>( 2,125,851)</u>  |
| Total disbursements   | <u>16,738,240</u>                    | <u>715,374</u>                     | <u>17,453,614</u> | <u>18,215,336</u>       | <u>20,360,000</u> | <u>( 2,906,386)</u>  |
| Deficiency of receipts<br>under disbursements   | ( 230,309)                           | ( 12,140)                          | ( 242,449)        | ( 1,694,964)            | ( 3,839,628)      | 3,597,179  |
| Other financing sources, net  | <u>6,950,000</u>                     |                                    | <u>6,950,000</u>  |                         |                   | <u>6,950,000</u>   |
| Excess (deficiency) of receipts and other<br>financing sources over (under) disbursements<br>and other financing uses | 6,719,691                            | ( 12,140)                          | 6,707,551         | (1,694,964)             | ( 3,839,628)      | 10,547,179   |
| Balance beginning of year   | <u>2,710,018</u>                     | <u>95,112</u>                      | <u>2,805,130</u>  | <u>3,083,292</u>        | <u>3,083,292</u>  | <u>( 278,162)</u>  |
| Balance end of year   | <u>\$ 9,429,709</u>                  | <u>82,972</u>                      | <u>9,512,681</u>  | <u>1,388,328</u>        | <u>( 756,336)</u> | <u>10,269,017</u>  |

See accompanying independent auditor's report.

Grinnell-Newburg Community School District  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2004

|                              | Governmental Funds  |                             |                              |
|------------------------------|---------------------|-----------------------------|------------------------------|
|                              | Cash<br>Basis       | Accrual<br>Adjust-<br>ments | Modified<br>Accrual<br>Basis |
| Revenues                     | \$ 16,507,931       | ( 574)                      | 16,507,357                   |
| Expenditures                 | <u>16,738,240</u>   | <u>47,513</u>               | <u>16,785,753</u>            |
| Net                          | ( 230,309)          | ( 48,087)                   | ( 278,396)                   |
| Other financing sources, net | 6,950,000           |                             | 6,950,000                    |
| Beginning fund balances      | <u>2,710,018</u>    | <u>( 660,395)</u>           | <u>2,049,623</u>             |
| Ending fund balances         | \$ <u>9,429,709</u> | <u>( 708,482)</u>           | <u>8,721,227</u>             |

|                      | Proprietary Funds |                             |                              |
|----------------------|-------------------|-----------------------------|------------------------------|
|                      | Enterprise        |                             |                              |
|                      | Cash<br>Basis     | Accrual<br>Adjust-<br>ments | Modified<br>Accrual<br>Basis |
| Revenues             | \$ 703,234        | 34,803                      | 738,037                      |
| Expenses             | <u>715,374</u>    | <u>42,426</u>               | <u>757,800</u>               |
| Net                  | ( 12,140)         | ( 7,623)                    | ( 19,763)                    |
| Beginning net assets | <u>95,112</u>     | <u>3,288</u>                | <u>98,400</u>                |
| Ending net assets    | \$ <u>82,972</u>  | <u>( 4,335)</u>             | <u>78,637</u>                |

See accompanying independent auditor's report.

Grinnell-Newburg Community School District  
Note to Required Supplementary Information - Budgetary Reporting  
Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$2,144,664.

During the year ended June 30, 2004, disbursements did not exceed amounts budgeted.



Grinnell-Newburg Community School District  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2004

Schedule 1

|  | Manage-<br>ment<br>Levy  | Student<br>Activity   | Physical<br>Plant and<br>Equipment<br>Levy | Total                   |
|--|--------------------------|-----------------------|--|-------------------------|
| <b>Assets</b>                            |                          |                       |  |                         |
| Cash and pooled investments              | \$ 181,805               | 134,639               | 253,534                                    | 569,978                 |
| Receivables:                             |                          |                       |  |                         |
| Property tax:                            |                          |                       |  |                         |
| Delinquent                               | 3,366                    |                       | 1,949                                      | 5,315                   |
| Succeeding year                          | 268,904                  |                       | 161,035                                    | 429,939                 |
| Income tax                               | <u>          </u>        | <u>          </u>     | <u>136,909</u>                             | <u>136,909</u>          |
| <b>Total Assets</b>                      | <b>\$ <u>454,075</u></b> | <b><u>134,639</u></b> | <b><u>553,427</u></b>                      | <b><u>1,142,141</u></b> |
| <b>Liabilities and Fund Equity</b>       |                          |                       |  |                         |
| Liabilities:                             |                          |                       |  |                         |
| Accounts payable                         | \$                       |                       | 4,950                                      | 4,950                   |
| Deferred revenue:                        |                          |                       |  |                         |
| Succeeding year property tax             | 268,904                  |                       | 161,035                                    | 429,939                 |
| Other                                    | <u>          </u>        | <u>          </u>     | <u>136,909</u>                             | <u>136,909</u>          |
| Total Liabilities                        | <u>268,904</u>           | <u>0</u>              | <u>302,894</u>                             | <u>571,798</u>          |
| Fund equity:                             |                          |                       |  |                         |
| Unreserved, fund balance                 | <u>185,171</u>           | <u>134,639</u>        | <u>250,533</u>                             | <u>570,343</u>          |
| <b>Total Liabilities and Fund Equity</b> | <b>\$ <u>454,075</u></b> | <b><u>134,639</u></b> | <b><u>553,427</u></b>                      | <b><u>1,142,141</u></b> |

See accompanying independent auditor's report.

Grinnell-Newburg Community School District  
Combined Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
Year ended June 30, 2004

Schedule 2

|  | Manage-<br>ment<br>Levy | Student<br>Activity | Physical<br>Plant and<br>Equipment<br>Levy | Total            |
|--|-------------------------|---------------------|--|------------------|
| Revenues:  |                         |                     |  |                  |
| Local sources:   |                         |                     |  |                  |
| Local tax  | \$ 273,357              |                     | 167,717                                    | 441,074          |
| Other  | 408                     | 492,456             | 14,195                                     | 507,059          |
| Income tax   |                         |                     | 141,179                                    | 141,179          |
| State sources  | 309                     |                     | 180  | 489              |
| Federal sources  |                         |                     | 4,842                                      | 4,842            |
| Total revenues   | <u>274,074</u>          | <u>492,456</u>      | <u>328,113</u>                             | <u>1,094,643</u> |
| Expenditures:  |                         |                     |  |                  |
| Current:   |                         |                     |  |                  |
| Instruction:   |                         |                     |  |                  |
| Regular instruction  | 99,605                  |                     |  | 99,605           |
| Other instruction  |                         | 436,164             |  | 436,164          |
| Support services:  |                         |                     |  |                  |
| Student services   | 6,706                   |                     |  | 6,706            |
| Administration services                                      | 155,903                 |                     |  | 155,903          |
| Operation and maintenance of plant services                  | 5,107                   |                     |  | 5,107            |
| Student transportation                                       |                         |                     | 51,707                                     | 51,707           |
| Other expenditures:  |                         |                     |  |                  |
| Facilities acquisition                                       |                         |                     | 365,734                                    | 365,734          |
| Total expenditures   | <u>267,321</u>          | <u>436,164</u>      | <u>417,441</u>                             | <u>1,120,926</u> |
| Excess (deficiency) of revenues<br>over (under) expenditures | 6,753                   | 56,292              | ( 89,328)                                  | ( 26,283)        |
| Fund balances beginning of year                              | <u>178,418</u>          | <u>78,347</u>       | <u>339,861</u>                             | <u>596,626</u>   |
| Fund balances end of year                                    | <u>\$ 185,171</u>       | <u>134,639</u>      | <u>250,533</u>                             | <u>570,343</u>   |

See accompanying independent auditor's report.

Grinnell-Newburg Community School District  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
Year ended June 30, 2004

Schedule 3

| <u>Account</u>             | Balance<br>Beginning of<br>Year | Revenues | Expenditures | Balance<br>End of<br>Year |
|----------------------------|---------------------------------|----------|--------------|---------------------------|
| Adopt-A-Grandparent        | 1,103                           |          |              | 1,103                     |
| After School Program       | 8,823                           | 3,271    |              | 12,094                    |
| A.I.A.S.A.                 | 290                             |          |              | 290                       |
| Art Club                   | 471                             | 1,500    | 989          | 982                       |
| Athletics:                 |                                 |          |              |                           |
| Senior High                | (10,881)                        | 131,638  | 80,133       | 40,624                    |
| Middle School              | (10,728)                        | 7,190    | 15,529       | (19,067)                  |
| Band:                      |                                 |          |              |                           |
| Senior High                | 2,240                           | 3,886    | 4,805        | 1,321                     |
| Middle School              | 777                             | 3,781    | 2,664        | 1,894                     |
| Band Trip                  | 1,011                           | 3,274    | 3,625        | 660                       |
| Band Uniforms              | 626                             | 1,060    | 1,090        | 596                       |
| Baseball Club              | 155                             | 6,835    | 4,154        | 2,836                     |
| Camp out                   | 134                             |          | 489          | ( 355)                    |
| D.A.R.E.                   | 3,284                           | 3,518    | 2,567        | 4,235                     |
| Graduates                  | 1,160                           |          |              | 1,160                     |
| Junior Class               | 500                             | 5,142    | 5,231        | 411                       |
| Sophomore Class            | 475                             |          |              | 475                       |
| Freshman Class             |                                 | 500      |              | 500                       |
| Concession:                |                                 |          |              |                           |
| Senior High                | 22,969                          |          | 22,985       | ( 16)                     |
| Middle School              | 14,161                          | 31,191   | 20,493       | 24,859                    |
| Locker Pop Machine         | 75                              |          |              | 75                        |
| Senior Class               | 444                             |          |              | 444                       |
| Youth Garden               | 849                             | 1,000    | 206          | 1,643                     |
| Cross Country              | 40                              | 407      | 406          | 41                        |
| Curtain Club               | 2,475                           | 5,973    | 5,815        | 2,633                     |
| Debate                     | 333                             |          | 68           | 265                       |
| Emergency Fund             | 420                             |          |              | 420                       |
| FFA                        | 3,544                           | 11,640   | 13,234       | 1,950                     |
| Fine Arts                  | 4,400                           | 12,465   | 14,377       | 2,488                     |
| FYI Newspaper              | 304                             |          |              | 304                       |
| Grinnellian                | (41,725)                        | 24,212   | 30,193       | (47,706)                  |
| Golf - Girls               | 26                              |          |              | 26                        |
| Pep Club                   | ( 1,470)                        |          |              | ( 1,470)                  |
| International Club         | 507                             |          | 46           | 461                       |
| Just Say No                | 336                             | 264      | 190          | 410                       |
| Library                    | 4,033                           | 27,782   | 22,287       | 9,528                     |
| Choir Robes                | 1,254                           | 1,275    | 1,072        | 1,457                     |
| Chess Club - Senior High   | ( 42)                           |          |              | ( 42)                     |
| Chess Club - Middle School | 790                             |          |              | 790                       |
| Coaches Club               | 354                             | 767      | 1,316        | ( 195)                    |
| Elementary IBI             | 65                              |          |              | 65                        |
| Davis School Store         | 572                             | 1,191    | 1,536        | 227                       |
| Principal's Account        | 4,607                           | 15,261   | 8,843        | 11,025                    |
| Diversity Alliance         | 90                              | 75       | 417          | ( 252)                    |
| Camp Grinnell              | 1,690                           |          |              | 1,690                     |

Grinnell-Newburg Community School District  
Schedule of Changes In Special Revenue Fund, Student Activity Accounts  
Year ended June 30, 2004

Schedule 3

| <u>Account</u>         | Balance<br>Beginning of<br>Year | Revenues       | Expenditures   | Balance<br>End of<br>Year |
|------------------------|---------------------------------|----------------|----------------|---------------------------|
| Partners               | 8,914                           | 7,795          | 11,674         | 5,035                     |
| Miscellaneous:         |                                 |                |                |                           |
| 001-402                | 7,587                           | 1,339          | 2,584          | 6,342                     |
| 109-402                | 2,468                           | 11,839         | 10,174         | 4,133                     |
| 209-402                | ( 529)                          | 8,224          | 7,085          | 610                       |
| Elementary             | 3,500                           | 9,095          | 8,556          | 4,039                     |
| Mock Trial             | 307                             |                |                | 307                       |
| Model U.N.             | 140                             | 325            | 733            | ( 268)                    |
| Music Trip             | 4                               |                |                | 4                         |
| National Honor Society | 187                             | 100            | 514            | ( 227)                    |
| Orchestra              | 263                             |                |                | 263                       |
| Cheerleader:           |                                 |                |                |                           |
| Senior High            | 1,031                           | 10,275         | 10,284         | 1,022                     |
| Plays/Productions:     |                                 |                |                |                           |
| Senior High            | 317                             | 14,317         | 15,929         | (1,295)                   |
| Middle School          | 956                             | 609            | 585            | 980                       |
| Prairie Project        | 675                             | 186            | 635            | 226                       |
| S.A.D.D.               | 1,366                           | 1,059          | 1,916          | 509                       |
| Science Club           | 326                             | 375            | 47             | 654                       |
| Snack Bar              | 4,981                           | 12,171         | 13,865         | 3,287                     |
| Social Studies Trip    | ( 321)                          |                |                | ( 321)                    |
| Speech                 | ( 950)                          | 800            | 412            | ( 562)                    |
| Student Council:       |                                 |                |                |                           |
| Senior High            | 3,152                           | 3,818          | 4,412          | 2,558                     |
| Middle School          | 8,865                           | 45,218         | 39,427         | 14,656                    |
| Special Ed Project     | ( 180)                          | 500            | 216            | 104                       |
| Tennis Club:           |                                 |                |                |                           |
| Boys                   | 17                              | 703            | 425            | 295                       |
| Girls                  | 210                             | 1,026          | 1,303          | ( 67)                     |
| Track Club             | 298                             | 4,826          | 4,656          | 468                       |
| Tiger Paws             | 1,555                           | 9,219          | 7,396          | 3,378                     |
| Vocal:                 |                                 |                |                |                           |
| Senior High            | 1,950                           | 6,601          | 4,598          | 3,953                     |
| Middle School          | 303                             | 609            |                | 912                       |
| Volleyball Club        | 1,529                           | 978            | 2,950          | ( 443)                    |
| Weightlifting Club     | 4,636                           | 12,104         | 11,953         | 4,787                     |
| Wrestling Club         | 1,859                           | 5,290          | 6,396          | 753                       |
| Video Club             | 44                              |                |                | 44                        |
| Spanish Club           | 1,777                           | 4,655          | 3,314          | 3,118                     |
| Accrual Adjustment     | ( 2,809)                        |                | ( 2,809)       |                           |
| Landscaping Fund       |                                 | 1,000          |                | 1,000                     |
| Wellness Equipment     |                                 | 10,000         |                | 10,000                    |
| Softball Club          | 3,378                           | 2,302          | 2,209          | 3,471                     |
| Local Project          | _____                           | _____          | ( 35)          | 35                        |
| Total                  | \$ <u>78,347</u>                | <u>492,456</u> | <u>436,164</u> | <u>134,639</u>            |

See accompanying independent auditor's report.

Grinnell-Newburg Community School District  
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds  
For the Last Four Years

Schedule 4

|   | <u>Modified Accrual Basis</u> |                   |                   |                   |
|---|-------------------------------|-------------------|-------------------|-------------------|
|   | 2004                          | 2003              | 2002              | 2001              |
| Revenues:                                   |                               |                   |                   |                   |
| Local sources:                              |                               |                   |                   |                   |
| Local tax                                   | \$ 6,208,776                  | 5,967,082         | 5,124,457         | 4,821,848         |
| Tuition                                     | 373,674                       | 290,609           | 358,899           | 294,165           |
| Other                                       | 1,350,233                     | 926,377           | 1,153,120         | 1,264,055         |
| Intermediate sources                        | 9,000                         | 19,986            | 13,178            | 22,729            |
| State sources                               | 6,982,825                     | 7,993,539         | 6,905,169         | 7,163,944         |
| Federal sources                             | <u>1,159,702</u>              | <u>1,187,926</u>  | <u>855,196</u>    | <u>396,237</u>    |
| Total                                       | <u>\$ 16,084,210</u>          | <u>16,385,519</u> | <u>14,410,019</u> | <u>13,962,978</u> |
| Expenditures:                               |                               |                   |                   |                   |
| Instruction:                                |                               |                   |                   |                   |
| Regular instruction                         | \$ 5,907,587                  | 6,169,831         | 6,196,694         | 5,552,659         |
| Special instruction                         | 2,412,451                     | 2,548,554         | 1,851,146         | 2,319,693         |
| Other instruction                           | 921,610                       | 1,024,257         | 1,494,568         | 1,033,661         |
| Support services:                           |                               |                   |                   |                   |
| Student services                            | 427,579                       | 461,110           | 460,912           | 403,076           |
| Instructional staff services                | 364,838                       | 397,889           | 397,849           | 368,705           |
| Administration services                     | 1,434,235                     | 1,333,321         | 1,226,703         | 1,130,041         |
| Operation and maintenance of plant services | 1,182,495                     | 1,195,535         | 1,165,199         | 1,243,523         |
| Transportation services                     | 432,459                       | 364,561           | 409,788           | 507,933           |
| Central support services                    |                               |                   | 93,646            | 107,461           |
| Non-instructional programs                  | 66,468                        |                   |                   | 1,782             |
| Other expenditures:                         |                               |                   |                   |                   |
| Facilities acquisition                      | 1,664,984                     | 1,645,511         | 338,806           | 357,935           |
| Long-term debt:                             |                               |                   |                   |                   |
| Principal                                   | 435,000                       | 5,345,000         | 235,000           | 220,000           |
| Interest and other charges                  | 262,353                       | 695,103           | 281,828           | 294,928           |
| AEA flowthrough                             | <u>511,812</u>                | <u>533,451</u>    | <u>524,725</u>    | <u>539,843</u>    |
| Total                                       | <u>\$ 16,023,871</u>          | <u>21,714,123</u> | <u>14,676,864</u> | <u>14,081,240</u> |

See accompanying independent auditor's report.

Grinnell-Newburg Community School District  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2004

Schedule 5

| Grantor / Program  | CFDA<br>Number | Grant<br>Number | Expenditures        |
|--|----------------|-----------------|---------------------|
| Direct:  |                |                 |                     |
| National Endowment for Humanities<br>Community of Learners Grant                             | 45.162         | EN-20077-02     | 25,315              |
| Indirect:  |                |                 |                     |
| U.S. Department of Agriculture:<br>Iowa Department of Education:<br>Food Donation (non-cash) | 10.550         | FY04            | 30,327              |
| School Nutrition Cluster Programs:<br>School Breakfast Program                               | 10.553         | FY04            | 30,008              |
| National School Lunch Program  | 10.555         | FY04            | 166,515             |
|  |                |                 | <u>196,523</u>      |
| U.S. Department of Education:  |                |                 |                     |
| Iowa Department of Education:<br>Title I Grants to Local Educational Agencies                | 84.010         | FY04            | 184,444             |
| Eisenhower Regional Mathematics and Science<br>Education Consortia                           | 84.319         | FY04            | 579                 |
| Innovative Education Program Strategies (Title V)  | 84.151         | FY04            | 11,864              |
| Safe and Drug-Free Schools and Communities -<br>State Grants                                 | 84.186         | FY04            | 8,776               |
| Twenty-First Century Community Learning Centers  | 84.287         | FY04            | 648,445             |
| Vocational Education - Basic Grants to States  | 84.048         | FY04            | 20,802              |
| Individuals with Disabilities - Special Education  | 84.173         | FY04            | 69,462              |
| TNT for Fitness Grant  | 84.215         | FY04            | 21,603              |
| Enhancing Education Through Technology (Title II D)  | 84.318         | FY04            | 600                 |
| Federal Teacher Qualify Program (Title II A)   | 84.367         | FY04            | 66,855              |
| English Language Acquisition State Grants (Title III)  | 84.365         | FY04            | 8,606               |
| Grants for Assessments and Related Activities (Title VI A)                                   | 84.369         | FY04            | 10,322              |
| School Renovation and Technology Grant   | 84.352         | FY04            | <u>39,874</u>       |
| Total  |                |                 | <u>\$ 1,344,397</u> |

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Grinnell-Newburg Community School District and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Board of Education of  
Grinnell-Newburg Community School District:

We have audited the financial statements of Grinnell-Newburg Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated March 24, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Grinnell-Newburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for Item IV-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grinnell-Newburg Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that

would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-03 is a material weakness. Prior year reportable conditions have all been resolved except for item II-A-03.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Grinnell-Newburg Community School District and other parties to whom Grinnell-Newburg Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Grinnell-Newburg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ROLAND & DIELEMAN

Certified Public Accountants

March 24, 2005



Independent Auditor's Report on Compliance with Requirements Applicable to  
Each Major Program and Internal Control over Compliance

To the Board of Education of  
Grinnell-Newburg Community School District:

Compliance

We have audited the compliance of Grinnell-Newburg Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Grinnell-Newburg Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Grinnell-Newburg Community School District's management. Our responsibility is to express an opinion on the Grinnell-Newburg Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Grinnell-Newburg Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Grinnell-Newburg Community School District's compliance with those requirements.

In our opinion Grinnell-Newburg Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Grinnell-Newburg Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Grinnell-Newburg Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention

relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Grinnell-Newburg Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described as item III-A-04 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However we believe item III-A-04 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Grinnell-Newburg Community School District and other parties to whom Grinnell-Newburg Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

ROLAND & DIELEMAN

Certified Public Accountants

March 24, 2005

Grinnell-Newburg Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2004

**Part I: Summary of the Independent Auditor's Results:**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs as follows:
  - CFDA Number 84.287 - 21<sup>st</sup> Century Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Grinnell-Newburg Community School District did not qualify as a low-risk auditee.

Grinnell-Newburg Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2004

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

II-A-04      Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible. A person has been hired to assist in these areas. The reconciliation is now done by a person who is only marginally involved in cash receipts/disbursements. Additionally, the District secretary reviews reconciliations, warrants paid, and comparison of actual receipts to expected receipts.

Conclusion - Response accepted.

Grinnell-Newburg Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2004

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

**CFDA Number 84.287: 21<sup>st</sup> Century Grant**

Attachment S to the Education Department General Administrative Regs. requires that all press releases and documents regarding the program state clearly the dollar amount of federal funds, the percentage of federal funds and the percentage of non government funds. Information provided to parents regarding the program did not always include the required disclosures.

**REPORTABLE CONDITON:**

**CFDA Number 84.352: School Renovation and Technology Grant**

**Federal Award Year: 2003**

**CFDA Number 84.287: 21<sup>st</sup> Century Grant**

**Federal Award Year: 2001-2004**

**U.S. Department of Education**

**Passed through the Iowa Department of Education**

III-A-04      Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned - We will continue to review our procedures and implement additional controls where possible. A person has been hired to assist in these areas. The reconciliation is now done by a person who is only marginally involved in cash receipts/disbursements. Additionally, the District secretary reviews reconciliations, warrants paid, and comparison of actual receipts to expected receipts.

Conclusion - Response accepted.

Grinnell-Newburg Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2004

**Other Findings Related to Statutory Reporting:**

- IV-A-04      Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were exceeded during the year ended June 30, 2004.
- Recommendation - The District should adopt a new depository resolution that would increase maximum deposit amounts.
- Response - The District will adopt a new depository resolution.
- Conclusion - Response accepted.
- IV-B-04      Certified Budget - Disbursements for the year ended June 30, 2004 did not exceed the amount budgeted.
- IV-C-04      Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-04      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-E-04      Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-F-04      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-G-04      Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-H-04      Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-I-04      Deposit and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-04      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-04      Deficit Balances - Several student activity accounts held deficit balances at June 30, 2004.

Recommendation - The District should continue to investigate alternatives to

eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.

Grinnell-Newburg Community School District

Staff

This audit was performed by:

Roger Roland, CPA  
Royal Roland, CPA  
Edwin Dieleman, CPA